

Updated Frequently Asked Questions

Updated June 16, 2016

- **Where does the process stand?**
 - The next major event in the process is the confirmation hearing scheduled for the 21st-23rd and 29th-30th of June 2016.

- **Has anything about the restructuring plan changed?**
 - No, there have been no changes to the plan.
 - The restructuring is expected to eliminate more than \$1.1 billion of debt and approximately \$60 million of annual cash interest expense. Specifically:
 - Paragon’s unsecured senior noteholders will exchange \$984 million in senior unsecured notes for \$345 million in cash up-front plus 35% of equity, and
 - Paragon’s Revolver banks will receive \$165 million in exchange for providing covenant relief.
 - Paragon’s existing equity holders will retain 65% of the company’s resulting common equity.
 - Further details and specifics are available in our filings.

- **What happens at the confirmation hearing?**
 - We will go before the judge in the U.S. Bankruptcy Court in Delaware and ask the judge to ‘confirm’ or approve our restructuring plan.
 - The hearing will commence on Tuesday, June 21st at 10 AM Eastern time.
 - On June 15th 2016, the judge in our case extended the timeframe of the hearing from three days to five days plus a possible 6th day if required. He did this to allow adequate time to hear the witnesses that are expected to be called at the hearing. As of June 15th, the schedule is:
 - June 21st, 10 AM—Hearing commences
 - June 22nd—Day 2 of hearing
 - June 23rd—Day 3 of hearing
 - June 24th—No session
 - June 27th—No session
 - June 28th—No session
 - June 29th—Day 4 of hearing
 - June 30th—Day 5 of hearing
 - July 1st - July 4th—NO Session—Holiday Break
 - July 5th—ONLY IF REQUIRED, day 6 of hearing
 - Any objections/arguments against the plan will be heard by the judge. Expert testimony will be offered by both sides.

- **When will you announce the outcome?**
 - Paragon expects to announce the outcome of the hearing once the judge has issued his ruling.
 - The judge could issue his ruling as early as the same day the hearing concludes or he may take several days to consider the evidence and then issue a ruling.
 - **While it could be earlier, you should not be surprised if the ruling is not issued until sometime during the week of July 4th, 2016.**

- **Have the Term Loan holders filed an objection?**
 - Yes, as expected. The holders of our current Term Loan (“TL”) have filed an objection to our plan. Their objection will be heard by the court during the hearing.
 - You can find a copy of their objection at:
<https://www.kccllc.net/paragon/document/16103861606070000000000006>
 - You can find a copy of our response to their objection at:
<https://www.kccllc.net/paragon/document/16103861606140000000000003>

- **What did the TL holders object to?**
 - Under the court process, written objections must be filed before the judge can consider at the hearing.
 - Primarily, they have objected to the ‘feasibility’ of the plan. In other words, they will argue that Paragon’s plan is unrealistic in terms of its financial projections (oil prices, dayrates, utilizations, etc.) and that if Paragon cannot carry out its plan, then the TL holders will not be paid what they are owed under the TL provisions.

- **Was Paragon surprised by their objection?**
 - No. Counsel for the TL indicated at the first hearing in February that they would object to their treatment under the plan.
 - Their objection contains no surprises versus what we were expecting.

- **Why is so much within the objection blacked out?**
 - This is called ‘redaction’ and seeks to protect confidential information.
 - Under our agreements with TL holders, certain information is considered confidential and cannot be made public.

- **Did the TL get to vote on the plan?**
 - No. Under the plan, their position remains unchanged. Paragon currently owes repayment of the TL in 2021. Our plan assumes that we will retain the obligation to repay that loan in full in 2021. Therefore, the TL holders are considered ‘unimpaired’ under the plan and are not entitled to a vote.

- **Who got to vote and what were the results?**
 - Only the lenders who were impacted or impaired under the plan, that is, they would receive less than what we would owe them with restructuring, were entitled to vote.

- The impaired parties were our bondholders and our revolving credit facility lenders. Majorities of both of these groups had agreed to support the plan when we filed it in February 2016.
- In the formal vote, 100% of the revolving credit facility holders and 99% of the bondholders ultimately voted in favor of the plan.
- **Has anyone else filed an objection?**
 - When looking at the document list available at <https://www.kccllc.net/paragon/document/list/4208>, you may see other objections. For example, these include objections by the Cy-Fair Independent School district and the U.S. Internal Revenue Service—these pertain to tax-related issues and seek to preserve the rights of these entities to receive tax payments owed. Paragon intends to pay any taxes owed.
 - *We do not expect these objections to be a concern with respect to confirmation.*
- **What do you think the outcome of the confirmation hearing will be?**
 - We continue to be confident that the judge will rule in our favor and the plan will be confirmed.
 - It's important to note that while our projections for a recovery in the industry go through 2019, we would really be able to repay or refinance as long as the elements of the recovery were realized by 2021, which gives us even more room. We, of course, have our own experts to refute the TL holders' objection.
- **What happens if the judge rules against you?**
 - In the event that the judge rules against us, we will seek to understand the specific nature of his ruling and its implications. We will then re-consider our options and develop a new way forward which we would communicate publicly when appropriate.
- **What happens assuming the judge rules in your favor?**
 - If the judge rules in our favor, the plan will be 'confirmed,' but not 'effective.'
 - There will be a period of time after the judge rules during which our legal team will prepare the final paperwork for signature by all parties and conclude any other matters that must be finalized before we become effective. When the plan becomes effective, we will announce the occurrence of the 'effective date' of the plan.
- **When will the plan be effective? When will you emerge from bankruptcy?**
 - Upon confirmation, there will be a period of time after the judge rules during which time the legal team will prepare the final paperwork for signature by all parties and conclude any other matters that must be finalized.
 - We would expect to emerge sometime over the summer, but the precise timing is currently unknown.
- **When is the debt paid down? When are the new shares issued?**
 - The debt is not paid down nor new shares issued **until the effective date.**



- **Who do I talk to for more information?**

- It is the company's intent to keep all stakeholders well-informed throughout this process.
- We will provide a page on Paragon's public website to facilitate any updates. Paragon's website address is www.paragonoffshore.com
- Paragon has established a toll-free hotline at 1-888-369-8935 to address specific concerns and questions.

Court filings as well as other information related to Paragon's restructuring are available through the company's claims agent, Kurtzman Carson Consultants, at <http://www.kccllc.net/paragon> or via phone call to 866-967-0491 (toll-free in North America) or 310-751-2691 (Outside North America.)

FORWARD LOOKING STATEMENT

This document contains forward-looking statements. Statements regarding any agreements reached with debtholders, the Chapter 11 process including timing and steps, expectations around the confirmation hearing timing or outcomes, impact of objections to our restructuring plan, timing of confirmation or emergence, as well as any other statements that are not historical facts in this release, are forward-looking statements that involve certain risks, uncertainties and assumptions. These include but are not limited to risks associated with the general nature of the oil and gas industry, actions by regulatory authorities, customers and other third parties, and other factors detailed in the "Risk Factors" section of Paragon's annual report on Form 10-K for the fiscal year ended December 31, 2015, Paragon's most recently filed report on Form 10-Q, and in Paragon's other filings with the SEC, which are available free of charge on the SEC's website at www.sec.gov. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated.